

**GUNNISON CITY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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*Certified Public Accountants*

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*Phone 896-6488*

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Gunnison City  
Gunnison, Utah 84634

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gunnison City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gunnison City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gunnison City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2006, on our consideration of Gunnison City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 15 and 49 through 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council  
Gunnison City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gunnison City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Gunnison City. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

August 30, 2006  
Richfield, Utah

# **GUNNISON CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

This discussion of Gunnison City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation.

## **Financial Highlights**

- \* The assets of Gunnison City exceeded its liabilities as of the close of the most recent year by \$6,729,463 (net assets). Of this amount, \$990,515 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- \* The government's total net assets decreased by \$22,527. The revenues were less than the adopted budgeted amounts, and expenditures were more than the adopted budgeted amounts.
- \* At the close of the current year, the Gunnison City governmental funds reported ending fund balance of \$538,164, an increase of \$88,828 in comparison with the prior year. Approximately 58 percent of this total amount, \$316,204, is available for spending at the government's discretion (unreserved fund balance).
- \* At the end of the current year, unreserved fund balance for the general fund was \$189,406, or 26 percent of total general fund expenditures.
- \* Gunnison City's total debt increased by \$399,674 during the current year.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Gunnison City's basic financial statements. Gunnison City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of Gunnison City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Gunnison City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gunnison City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Gunnison City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Gunnison City include general government, public health, highways and parks and recreation. The business-type activities of Gunnison City are the irrigation service, water, sewer and garbage services.

Refer to the table of contents for the location of the government-wide financial statements.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gunnison City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Gunnison City can be divided into three categories: governmental funds, enterprise funds and fiduciary funds.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Gunnison City maintains four governmental funds; 1) the general fund, which is always a major fund; 2) the capital improvement fund, 3) swimming pool special revenue fund and; 4) perpetual care fund.

Gunnison City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund and major special revenue fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary Funds**

Gunnison City maintains two proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Gunnison City uses an enterprise fund to account for its; 1) irrigation operations and; 2) water, sewer and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The two enterprise funds are considered major funds of Gunnison City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

## Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Gunnison City.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Gunnison City, assets exceeded liabilities by \$6,729,463 at the close of the most recent fiscal year.

By far the largest portion of Gunnison's net assets (82 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Gunnison uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Gunnison's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Gunnison City's Net Assets

|                            | Governmental<br>Activities |                  | Business-Type<br>Activities |                  | Total            |                  |
|----------------------------|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
|                            | 2006                       | 2005             | 2006                        | 2005             | 2006             | 2005             |
| Current and Other Assets   | 582,991                    | 471,554          | 751,615                     | 681,761          | 1,334,606        | 1,153,315        |
| Capital Assets             | <u>3,170,702</u>           | <u>3,369,058</u> | <u>4,894,414</u>            | <u>4,470,762</u> | <u>8,065,116</u> | <u>7,839,820</u> |
| Total Assets               | <u>3,753,693</u>           | <u>3,840,612</u> | <u>5,646,029</u>            | <u>5,152,523</u> | <u>9,399,722</u> | <u>8,993,135</u> |
| Long-Term Liabilities      | 1,316,197                  | 1,395,250        | 1,189,652                   | 763,478          | 2,505,849        | 2,158,728        |
| Other Liabilities          | <u>111,627</u>             | <u>57,384</u>    | <u>52,783</u>               | <u>25,033</u>    | <u>164,410</u>   | <u>82,417</u>    |
| Total Liabilities          | <u>1,427,824</u>           | <u>1,452,634</u> | <u>1,242,435</u>            | <u>788,511</u>   | <u>2,670,259</u> | <u>2,241,145</u> |
| Net Assets:                |                            |                  |                             |                  |                  |                  |
| Invested in Capital Assets |                            |                  |                             |                  |                  |                  |
| Net of Related Debt        | 1,869,412                  | 1,952,808        | 3,647,576                   | 3,701,458        | 5,516,988        | 5,654,266        |
| Restricted                 | 221,960                    | 248,960          | -                           | -                | 221,960          | 248,960          |
| Unrestricted               | <u>234,497</u>             | <u>186,210</u>   | <u>756,018</u>              | <u>662,554</u>   | <u>990,515</u>   | <u>848,764</u>   |
| Total Net Assets           | <u>2,325,869</u>           | <u>2,387,978</u> | <u>4,403,594</u>            | <u>4,364,012</u> | <u>6,729,463</u> | <u>6,751,990</u> |

A portion of Gunnison City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$990,515, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Gunnison City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Governmental Activities

Governmental activities decreased Gunnison City's net assets by \$62,109. Key elements of this decrease follows:

#### Gunnison City's Changes in Net Assets

|  | Governmental<br>Activities |                  | Business-Type<br>Activities |                  | Total            |                  |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
|  | 2006                       | 2005             | 2006                        | 2005             | 2006             | 2005             |
| <b>Revenues:</b>   |                            |                  |                             |                  |                  |                  |
| <b>Program Revenues:</b>   |                            |                  |                             |                  |                  |                  |
| Charges for Services   | 177,827                    | 175,200          | 525,073                     | 513,552          | 702,900          | 688,752          |
| Operating Grants   | 191,773                    | 151,298          | -                           | -                | 191,773          | 151,298          |
| Capital Grants   | -                          | -                | -                           | 900,000          | -                | 900,000          |
| <b>General Revenues:</b>   |                            |                  |                             |                  |                  |                  |
| Property Taxes   | 75,312                     | 77,181           | -                           | -                | 75,312           | 77,181           |
| Other Taxes  | 542,202                    | 497,666          | -                           | -                | 542,202          | 497,666          |
| Grants and Contributions<br>Not Restricted to Specific<br>Programs | -                          | -                | -                           | -                | -                | -                |
| Unrestricted Investment<br>Earnings                                | 16,230                     | 9,246            | 10,894                      | 12,944           | 27,124           | 22,190           |
| Other  | 15,421                     | -                | 19,876                      | 40,685           | 35,297           | 40,685           |
| <b>Total Revenues</b>  | <b>1,018,765</b>           | <b>910,591</b>   | <b>555,843</b>              | <b>1,467,181</b> | <b>1,574,608</b> | <b>2,377,772</b> |
| <b>Expenses:</b>   |                            |                  |                             |                  |                  |                  |
| General Government   | 204,680                    | 200,108          | -                           | -                | 204,680          | 200,108          |
| Public Safety  | 266,300                    | 239,619          | -                           | -                | 266,300          | 239,619          |
| Highways   | 283,314                    | 203,321          | -                           | -                | 283,314          | 203,321          |
| Parks and Recreation   | 299,200                    | 273,576          | -                           | -                | 299,200          | 273,576          |
| Interest on Long-Term Debt   | 27,380                     | 28,260           | 4,630                       | -                | 32,010           | 28,260           |
| Irrigation Fund Operations   | -                          | -                | 65,565                      | 52,862           | 65,565           | 52,862           |
| Water, Sewer and Garbage   | -                          | -                | 446,066                     | 378,502          | 446,066          | 378,502          |
| <b>Total Expenses</b>  | <b>1,080,874</b>           | <b>944,884</b>   | <b>516,261</b>              | <b>431,364</b>   | <b>1,597,135</b> | <b>1,376,248</b> |
| <b>Increase in Net Assets</b>                                      | <b>(62,109)</b>            | <b>(34,293)</b>  | <b>39,582</b>               | <b>1,035,817</b> | <b>(22,527)</b>  | <b>1,001,524</b> |
| <b>Net Assets - Beginning</b>                                      | <b>2,387,978</b>           | <b>2,422,271</b> | <b>4,364,012</b>            | <b>3,328,195</b> | <b>6,751,990</b> | <b>5,750,466</b> |
| <b>Net Assets - Ending</b>   | <b>2,325,869</b>           | <b>2,387,978</b> | <b>4,403,594</b>            | <b>4,364,012</b> | <b>6,729,463</b> | <b>6,751,990</b> |

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.



## **Business-Type Activities**

Business-type activities increased Gunnison City's net assets by \$39,582, accounting for 100 percent of the growth in the government's net assets. Key elements of the changes are shown above.

## **Financial Analysis of the Government's Funds**

As noted earlier, Gunnison City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

The focus of Gunnison City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing Gunnison City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Gunnison City's governmental funds reported ending fund balances of \$538,164 an increase of \$88,828 in comparison with the prior year. Approximately 59 percent of this amount, \$316,204 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to highways and public improvements, \$173,000; 2) bond reserves, \$48,960.

The general fund is the chief operating fund of Gunnison City. At the end of the current year, unreserved fund balance of the general fund was \$189,406, while total fund balance reached \$362,406. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 26 percent of total general fund expenditures, while total fund balance represents 50 percent of that same amount.

## **Proprietary Funds**

Gunnison City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year was \$756,018. Other factors concerning the finances of this fund has already been addressed in the discussion of Gunnison City's business type activities.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of \$117,000 can be briefly summarized as follows:

- \* \$18,369 increase in general government.
- \* \$33,113 increase in public safety.
- \* \$35,800 increase in highways & public improvements.
- \* \$29,718 increase in culture and recreation.

Of this increase, \$56,657 was funded out of prior year unreserved fund balance. At year end actual revenues were more than budgeted revenues by \$3,997, and actual expenditures were less than budgeted expenditures by \$80,621, resulting in a increase to fund balance of \$84,618 .

## Capital Asset and Debt Administration

### Capital Assets

Gunnison City's investment in capital assets for its governmental activities as of June 30, 2006, was \$3,170,702 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and sidewalks. The total increase in Gunnison City's investment in capital assets for the current year was \$0.

#### Gunnison City's Capital Assets (net of depreciation)

|                                      | Governmental<br>Activities |           | Business-Type<br>Activities |           | Total     |           |
|--------------------------------------|----------------------------|-----------|-----------------------------|-----------|-----------|-----------|
|                                      | 2006                       | 2005      | 2006                        | 2005      | 2006      | 2005      |
| Land                                 | 81,439                     | 101,439   | -                           | -         | 81,439    | 101,439   |
| Water Shares                         | -                          | -         | 345,000                     | 345,000   | 345,000   | 345,000   |
| Infrastructure                       | 625,163                    | 712,814   | -                           | -         | 625,163   | 712,814   |
| Buildings                            | 2,173,602                  | 2,232,311 | 3,282                       | 3,791     | 2,176,884 | 2,236,102 |
| Improvements Other than<br>Buildings | 55,555                     | 56,745    | 4,491,426                   | 3,135,196 | 4,546,981 | 3,191,941 |
| Equipment                            | 234,944                    | 265,749   | 54,706                      | 30,724    | 289,650   | 296,473   |
| Construction-in-Progress             | -                          | -         | -                           | 956,051   | -         | 956,051   |
| Total                                | 3,170,703                  | 3,369,058 | 4,894,414                   | 4,470,762 | 8,065,117 | 7,839,820 |

Additional information on Gunnison City's capital assets can be found in the notes to the financial statements.

### Long -Term Debt

At the end of the current year, Gunnison City had total long-term debt outstanding of \$2,591,175. The debt represents compensated absences at June 30, 2006 of \$19,447, revenue bonds of \$1,859,000, general obligation recreation bonds of \$669,000 and notes payable of \$43,728.

|                | Governmental<br>Activities |           | Business-Type<br>Activities |         | Total     |           |
|----------------|----------------------------|-----------|-----------------------------|---------|-----------|-----------|
|                | 2006                       | 2005      | 2006                        | 2005    | 2006      | 2005      |
| Long-Term Debt | 1,369,697                  | 1,416,916 | 1,221,478                   | 769,304 | 2,591,175 | 2,186,220 |

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately \$7,500,000.00; general obligation debt outstanding at June 30, 2005 was \$669,000.

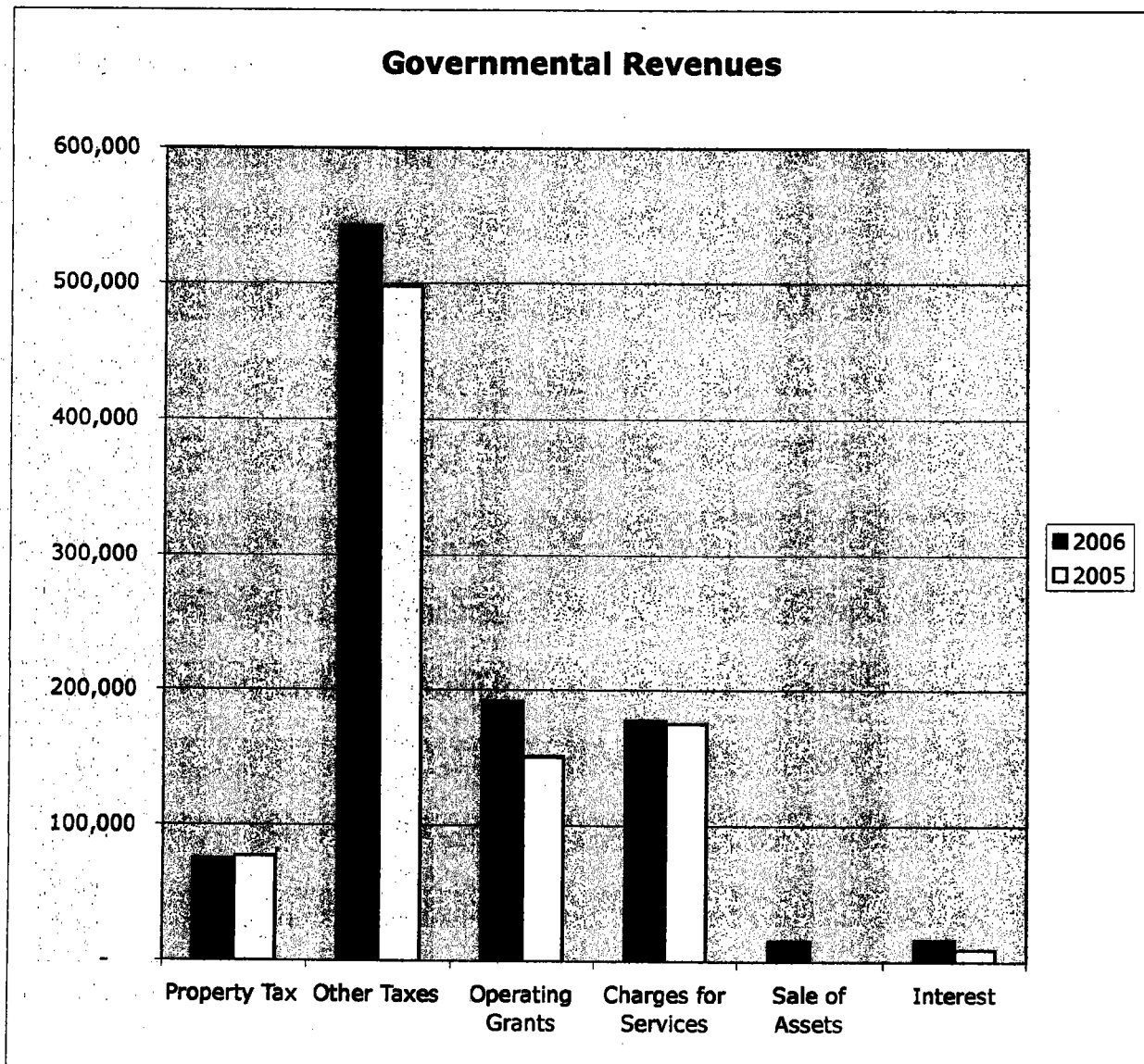
Additional information on the City's long-term debt can be found in the notes of the financial statements.

## **Request for Information**

This financial report is designed to provide a general overview of Gunnison City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Gunnison City Recorder, 38 W. Center, P.O. Box 790, Gunnison, Utah, 84634.

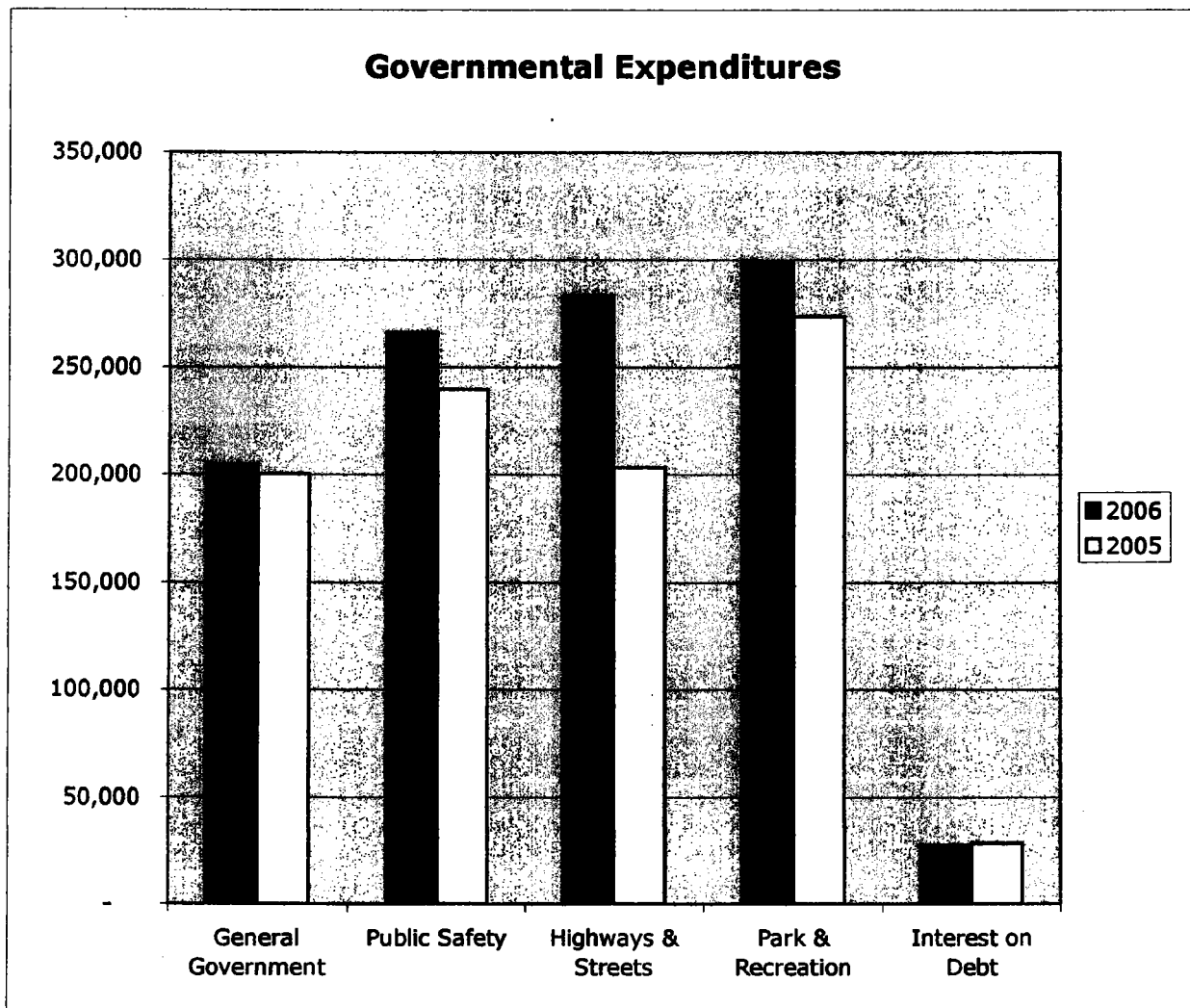
**Gunnison City  
Governmental Revenues  
For The Fiscal Years Ending June 30, 2006 and 2005**

|                       | <u>2006</u>             | <u>2005</u>           |
|-----------------------|-------------------------|-----------------------|
| Property Tax          | 75,312                  | 77,181                |
| Other Taxes           | 542,202                 | 497,666               |
| Operating Grants      | 191,773                 | 151,298               |
| Charges for Services  | 177,827                 | 175,200               |
| Sale of Assets        | 15,421                  | -                     |
| Interest              | 16,230                  | 9,246                 |
| <b>Total Revenues</b> | <b><u>1,018,765</u></b> | <b><u>910,591</u></b> |



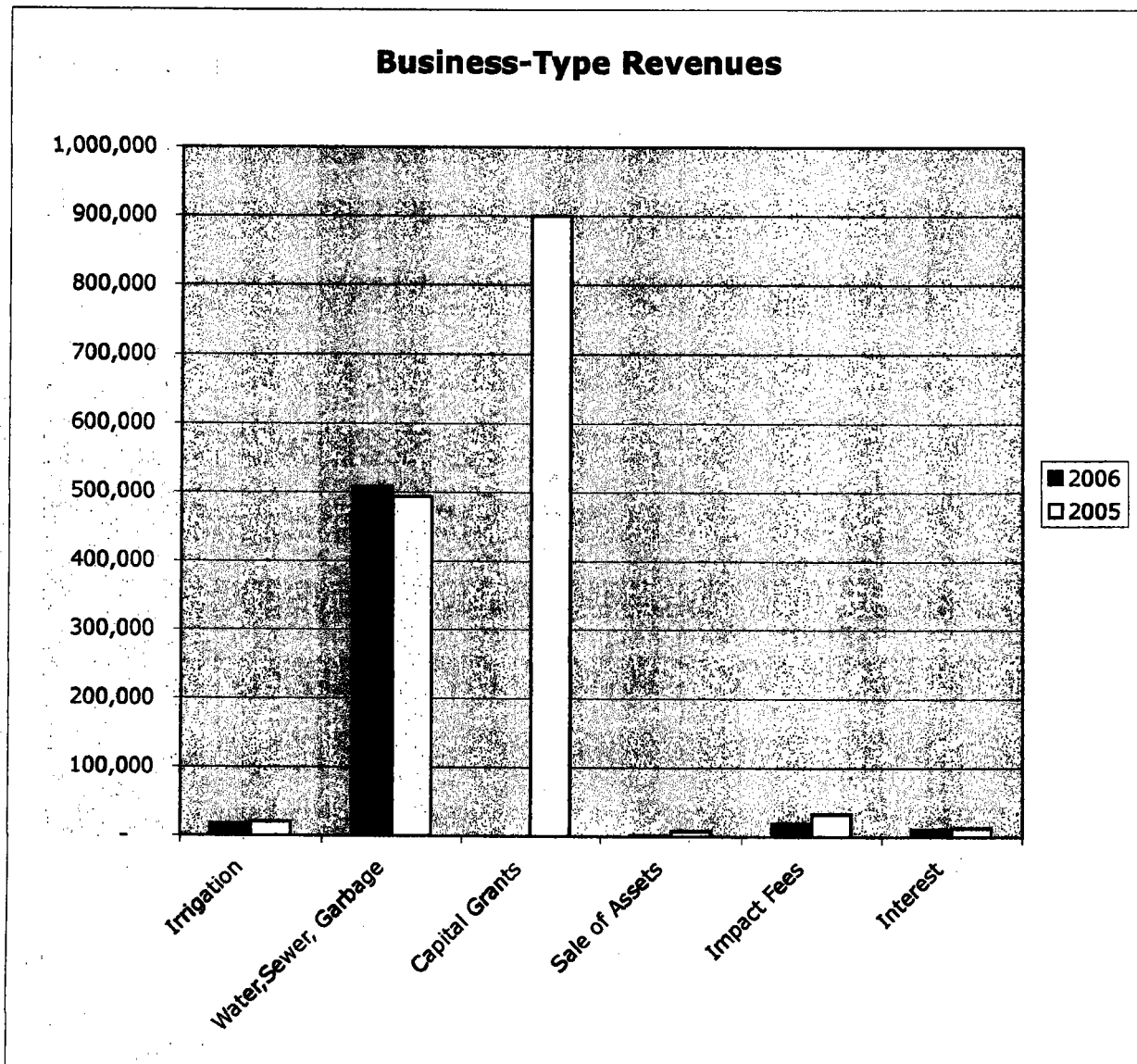
**Gunnison City**  
**Governmental Expenditures**  
**For The Fiscal Years Ending June 30, 2006 and 2005**

|                           | 2006             | 2005           |
|---------------------------|------------------|----------------|
| General Government        | 204,680          | 200,108        |
| Public Safety             | 266,300          | 239,619        |
| Highways & Streets        | 283,314          | 203,321        |
| Park & Recreation         | 299,200          | 273,576        |
| Interest on Debt          | 27,380           | 28,260         |
| <b>Total Expenditures</b> | <b>1,080,874</b> | <b>944,884</b> |



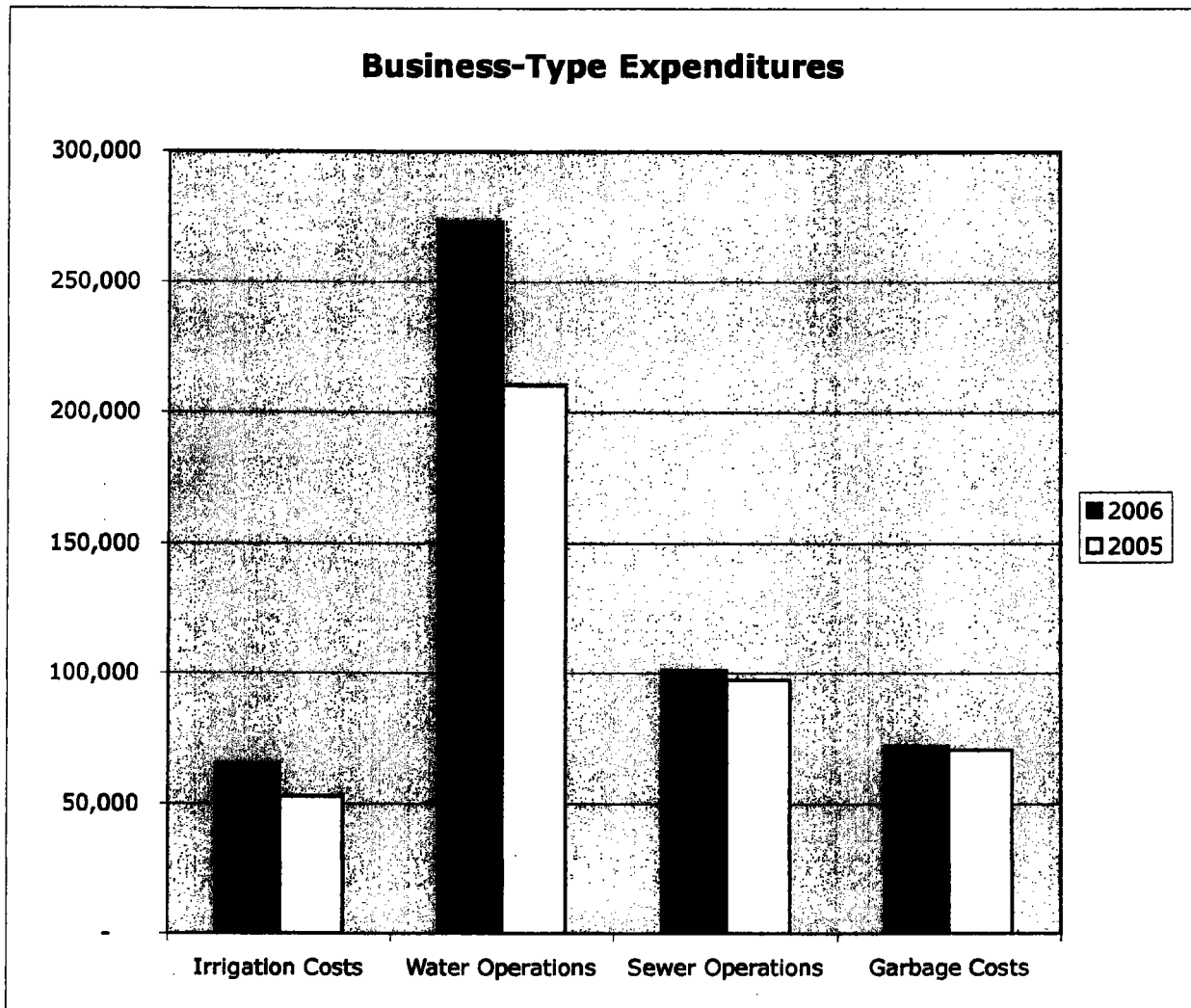
**Gunnison City  
Business-Type Revenues  
For The Fiscal Years Ending June 30, 2006 and 2005**

|                       | 2006           | 2005             |
|-----------------------|----------------|------------------|
| Irrigation            | 16,745         | 20,315           |
| Water, Sewer, Garbage | 508,328        | 493,237          |
| Capital Grants        | -              | 900,000          |
| Sale of Assets        | 1,200          | 8,120            |
| Impact Fees           | 18,676         | 32,565           |
| Interest              | 10,894         | 12,944           |
| <b>Total Revenues</b> | <b>555,843</b> | <b>1,467,181</b> |



**Gunnison City  
Business Type Expenditures  
For The Fiscal Years Ending June 30, 2006 and 2005**

|                           | 2006           | 2005           |
|---------------------------|----------------|----------------|
| Irrigation Costs          | 65,565         | 52,862         |
| Water Operations          | 272,872        | 210,372        |
| Sewer Operations          | 101,112        | 97,503         |
| Garbage Costs             | 72,082         | 70,627         |
| <b>Total Expenditures</b> | <b>511,631</b> | <b>431,364</b> |



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is used to assist in formatting, for easier reading)



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# **BASIC FINANCIAL STATEMENTS**

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**GUNNISON CITY  
STATEMENT OF NET ASSETS**

June 30, 2006

|   | Primary Government         |                             |                  |
|---|----------------------------|-----------------------------|------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total            |
| <b>ASSETS</b>                                     |                            |                             |                  |
| Current Assets:                                   |                            |                             |                  |
| Cash and Cash Equivalents                         | 509,145                    | 687,963                     | 1,197,108        |
| Accounts Receivable (Net)                         | 1,985                      | 50,945                      | 52,930           |
| Special Assessments Receivable                    | -                          | 12,707                      | 12,707           |
| Due From Other Government Units                   | 22,901                     | -                           | 22,901           |
| <b>Total Current Assets</b>                       | <b>534,031</b>             | <b>751,615</b>              | <b>1,285,646</b> |
| Noncurrent Assets:                                |                            |                             |                  |
| Restricted Cash and Cash Equivalents              | 48,960                     | -                           | 48,960           |
| Capital Assets (Net of Accumulated Depreciation): |                            |                             |                  |
| Land  | 81,439                     | -                           | 81,439           |
| Water Shares                                      | -                          | 345,000                     | 345,000          |
| Buildings   | 2,173,601                  | 3,282                       | 2,176,883        |
| Improvements Other Than Buildings                 | 55,555                     | 4,491,426                   | 4,546,981        |
| Equipment   | 21,531                     | 54,706                      | 76,237           |
| Vehicles  | 213,413                    | -                           | 213,413          |
| Infrastructure                                    | 625,163                    | -                           | 625,163          |
| <b>Total Noncurrent Assets</b>                    | <b>3,219,662</b>           | <b>4,894,414</b>            | <b>8,114,076</b> |
| <b>TOTAL ASSETS</b>                               | <b>3,753,693</b>           | <b>5,646,029</b>            | <b>9,399,722</b> |
| <b>LIABILITIES</b>                                |                            |                             |                  |
| Current Liabilities:                              |                            |                             |                  |
| Accounts Payable                                  | 44,827                     | 20,957                      | 65,784           |
| Bond Interest Payable                             | 13,300                     | -                           | 13,300           |
| Notes Payable - Due Within One Year               | 7,500                      | 5,826                       | 13,326           |
| General Obligation Bonds - Due Within One Year    | 36,000                     | -                           | 36,000           |
| Revenue Bonds Payable - Due Within One Year       | 10,000                     | 26,000                      | 36,000           |
| <b>Total Current Liabilities</b>                  | <b>111,627</b>             | <b>52,783</b>               | <b>164,410</b>   |
| Noncurrent Liabilities:                           |                            |                             |                  |
| Notes Payable - More Than One Year                | 18,750                     | 11,652                      | 30,402           |
| General Obligation Bonds - More Than One Year     | 633,000                    | -                           | 633,000          |
| Revenue Bonds Payable - More Than One Year        | 645,000                    | 1,178,000                   | 1,823,000        |
| Compensated Absences                              | 19,447                     | -                           | 19,447           |
| <b>Total Noncurrent Liabilities</b>               | <b>1,316,197</b>           | <b>1,189,652</b>            | <b>2,505,849</b> |
| <b>TOTAL LIABILITIES</b>                          | <b>1,427,824</b>           | <b>1,242,435</b>            | <b>2,670,259</b> |
| <b>NET ASSETS</b>                                 |                            |                             |                  |
| Investment in Capital Assets, Net of Debt         | 1,869,412                  | 3,647,576                   | 5,516,988        |
| Restricted For:                                   |                            |                             |                  |
| Bond Retirement                                   | 48,960                     | -                           | 48,960           |
| Class C Roads                                     | 173,000                    | -                           | 173,000          |
| Unrestricted                                      | 234,497                    | 756,018                     | 990,515          |
| <b>TOTAL NET ASSETS</b>                           | <b>2,325,869</b>           | <b>4,403,594</b>            | <b>6,729,463</b> |
| <b>TOTAL LIABILITIES NET ASSETS</b>               | <b>3,753,693</b>           | <b>5,646,029</b>            | <b>9,399,722</b> |

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY  
STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2006**

| Function/Programs                           | Expenses         | Program Revenues   |                |               | Net (Expenses) Revenues and<br>Changes in Net Assets |                          |                  |
|---|------------------|--|----------------|---------------|--|--------------------------|------------------|
|   |                  | Charges for Operating Grants/Capital Grants/<br>Services Contributions |                | Contributions | Primary Government                                   |                          |                  |
|   |                  |  |                |               | Governmental Activities                              | Business-Type Activities | Total            |
| <b>Governmental Activities:</b>             |                  |  |                |               |  |                          |                  |
| General Government                          | 204,680          | 67,631   | -              | -             | (137,049)  | -                        | (137,049)        |
| Public Safety                               | 266,300          | 220  | 72,033         | -             | (194,047)  | -                        | (194,047)        |
| Highways and Public Improvements            | 283,314          | -  | 107,836        | -             | (175,478)  | -                        | (175,478)        |
| Park and Recreation                         | 299,200          | 109,976  | 11,904         | -             | (177,320)  | -                        | (177,320)        |
| Interest on Long-Term Debt                  | 27,380           | -  | -              | -             | (27,380)   | (4,630)                  | (32,010)         |
| <b>Total Governmental Activities</b>        | <b>1,080,874</b> | <b>177,827</b>   | <b>191,773</b> | <b>-</b>      | <b>(711,274)</b>                                     | <b>(4,630)</b>           | <b>(715,904)</b> |
| <b>Business-Type Activities:</b>            |                  |  |                |               |  |                          |                  |
| Water, Sewer and Garbage Fund               | 446,066          | 508,328  | -              | -             | -  | 62,262                   | 62,262           |
| Irrigation Fund                             | 65,565           | 16,745   | -              | -             | -  | (48,820)                 | (48,820)         |
| <b>Total Business-Type Activities</b>       | <b>511,631</b>   | <b>525,073</b>   | <b>-</b>       | <b>-</b>      | <b>-</b>   | <b>13,442</b>            | <b>13,442</b>    |
| <b>Total Primary Government</b>             | <b>1,592,505</b> | <b>702,900</b>   | <b>191,773</b> | <b>-</b>      | <b>(711,274)</b>                                     | <b>8,812</b>             | <b>(702,462)</b> |
| <b>General Revenues:</b>                    |                  |  |                |               |  |                          |                  |
| Property Taxes                              |                  |  |                |               | 75,312   | -                        | 75,312           |
| Fee-In-Lieu of Property Taxes               |                  |  |                |               | 22,619   | -                        | 22,619           |
| Sales Taxes                                 |                  |  |                |               | 372,946  | -                        | 372,946          |
| Franchise Fees                              |                  |  |                |               | 146,637  | -                        | 146,637          |
| Impact Fees                                 |                  |  |                |               | -  | 18,676                   | 18,676           |
| Sale of Assets                              |                  |  |                |               | 15,421   | 1,200                    | 16,621           |
| Unrestricted Investment Earnings            |                  |  |                |               | 16,230   | 10,894                   | 27,124           |
| <b>Total General Revenues and Transfers</b> |                  |  |                |               | <b>649,165</b>                                       | <b>30,770</b>            | <b>679,935</b>   |
| <b>Change in Net Assets</b>                 |                  |  |                |               | <b>(62,109)</b>                                      | <b>39,582</b>            | <b>(22,527)</b>  |
| <b>Net Assets - Beginning</b>               |                  |  |                |               | <b>2,387,978</b>                                     | <b>4,364,012</b>         | <b>6,751,990</b> |
| <b>Net Assets - Ending</b>                  |                  |  |                |               | <b>2,325,869</b>                                     | <b>4,403,594</b>         | <b>6,729,463</b> |

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

|   | General<br>Fund | Special<br>Revenue<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------|----------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                 |                 |                            |                                |                                |
| Cash and Cash Equivalents                     | 375,947         | 37,404                     | 144,754                        | 558,105                        |
| Accounts Receivable (Net)                     | 1,985           | -                          | -                              | 1,985                          |
| Due From Other Government Units               | 22,901          | -                          | -                              | 22,901                         |
| <b>TOTAL ASSETS</b>                           | <u>400,833</u>  | <u>37,404</u>              | <u>144,754</u>                 | <u>582,991</u>                 |
| <b>LIABILITIES AND FUND BALANCES</b>          |                 |                            |                                |                                |
| <b>Liabilities:</b>                           |                 |                            |                                |                                |
| Accounts Payable                              | 38,427          | 6,400                      | -                              | 44,827                         |
| <b>Total Liabilities</b>                      | <u>38,427</u>   | <u>6,400</u>               | <u>-</u>                       | <u>44,827</u>                  |
| <b>Fund Balances:</b>                         |                 |                            |                                |                                |
| <b>Reserved For:</b>                          |                 |                            |                                |                                |
| Class C Road                                  | 173,000         | -                          | -                              | 173,000                        |
| Bond Reserves                                 | -               | 48,960                     | -                              | 48,960                         |
| <b>Unreserved, Reported In:</b>               |                 |                            |                                |                                |
| General Fund                                  | 189,406         | -                          | -                              | 189,406                        |
| Special Revenue Funds                         | -               | (17,956)                   | -                              | (17,956)                       |
| Capital Project Fund                          | -               | -                          | 125,031                        | 125,031                        |
| Perpetual Care                                | -               | -                          | 19,723                         | 19,723                         |
| <b>Total Fund Balance</b>                     | <u>362,406</u>  | <u>31,004</u>              | <u>144,754</u>                 | <u>538,164</u>                 |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCE</b> | <u>400,833</u>  | <u>37,404</u>              | <u>144,754</u>                 | <u>582,991</u>                 |

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2006**

|   |         |
|---|---------|
| Total Fund Balances - Governmental Fund Types | 538,164 |
|---|---------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

|                                   |                |               |
|-----------------------------------|----------------|---------------|
| Land                              | 81,439         |               |
| Buildings                         | 2,173,601      |               |
| Improvements Other Than Buildings | 55,555         |               |
| Equipment                         | 21,531         |               |
| Vehicles                          | 213,413        |               |
| Infrastructure                    | <u>625,163</u> |               |
| <br>Total                         |                | <br>3,170,702 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

|                      |                 |                        |
|----------------------|-----------------|------------------------|
| Interest Payable     | (13,300)        |                        |
| Notes Payable        | (26,250)        |                        |
| Bonds Payable        | (1,324,000)     |                        |
| Compensated Absences | <u>(19,447)</u> |                        |
| <br>Total            |                 | <br><u>(1,382,997)</u> |

|                                     |                         |
|-------------------------------------|-------------------------|
| Net Assets of Government Activities | <u><u>2,325,869</u></u> |
|-------------------------------------|-------------------------|

**GUNNISON CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

|                                   | General<br>Fund | Special<br>Revenue<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|-----------------|----------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                  |                 |                            |                                |                                |
| Taxes                             | 470,877         | 146,637                    |                                | 617,514                        |
| Licenses and Permits              | 13,193          | -                          | -                              | 13,193                         |
| Intergovernmental Revenue         | 191,773         | 7,500                      | -                              | 199,273                        |
| Charges for Services              | 26,058          | 46,189                     | -                              | 72,247                         |
| Fines and Forfeitures             | 21,262          | -                          | -                              | 21,262                         |
| Interest                          | 13,237          | 2,993                      | -                              | 16,230                         |
| Miscellaneous Revenues            | 68,597          | 28,373                     | 2,076                          | 99,046                         |
| <b>Total Revenues</b>             | <u>804,997</u>  | <u>231,692</u>             | <u>2,076</u>                   | <u>1,038,765</u>               |
| <b>Expenditures:</b>              |                 |                            |                                |                                |
| Current:                          |                 |                            |                                |                                |
| General Government                | 187,771         | -                          | -                              | 187,771                        |
| Public Safety                     | 239,192         | -                          | -                              | 239,192                        |
| Highways and Public Improvements  | 193,403         | -                          | -                              | 193,403                        |
| Parks and Recreation              | 100,013         | 149,678                    | -                              | 249,691                        |
| Debt Service:                     |                 |                            |                                |                                |
| Principal                         | -               | 52,500                     | -                              | 52,500                         |
| Interest                          | -               | 27,380                     | -                              | 27,380                         |
| <b>Total Expenditures</b>         | <u>720,379</u>  | <u>229,558</u>             | <u>-</u>                       | <u>949,937</u>                 |
| <b>Net Change In Fund Balance</b> | <u>84,618</u>   | <u>2,134</u>               | <u>2,076</u>                   | <u>88,828</u>                  |
| <b>Fund Balance - Beginning</b>   | <u>277,788</u>  | <u>28,870</u>              | <u>142,678</u>                 | <u>449,336</u>                 |
| <b>Fund Balance - Ending</b>      | <u>362,406</u>  | <u>31,004</u>              | <u>144,754</u>                 | <u>538,164</u>                 |

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

|   |        |
|---|--------|
| Net Changes in Fund Balances - Total Governmental Funds | 88,828 |
|---|--------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

|              |                  |           |
|--------------|------------------|-----------|
| Depreciation | <u>(178,356)</u> |           |
| Total        |                  | (178,356) |

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

|                          |               |        |
|--------------------------|---------------|--------|
| Notes Payable            | 7,500         |        |
| General Obligation Bonds | 35,000        |        |
| Revenue Bonds            | <u>10,000</u> |        |
| Total                    |               | 52,500 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

|                              |            |                 |
|------------------------------|------------|-----------------|
| Compensated Absences         | (5,281)    |                 |
| Basis of Land Sold           | (20,000)   |                 |
| Decrease in Interest Payable | <u>200</u> |                 |
| Total                        |            | <u>(25,081)</u> |

|  |                        |
|--|------------------------|
| Changes In Net Assets of Governmental Activities | <u><u>(62,109)</u></u> |
|--|------------------------|

**GUNNISON CITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND TYPES**

June 30, 2006

|   | Business-Type Activity<br>Enterprise Fund |                                   |                  |
|---|---|-----------------------------------|------------------|
|   | Water, Sewer<br>and Garbage<br>Fund       | Pressurized<br>Irrigation<br>Fund | Total            |
| <b>ASSETS:</b>                                    |   |                                   |                  |
| <b>Current Assets:</b>                            |   |                                   |                  |
| Cash and Cash Equivalents                         | 596,745                                   | 91,218                            | 687,963          |
| Accounts Receivable                               | 46,783                                    | 16,869                            | 63,652           |
| Total Current Assets                              | 643,528                                   | 108,087                           | 751,615          |
| <b>Noncurrent Assets:</b>                         |   |                                   |                  |
| Capital Assets: (Net of Accumulated Depreciation) |   |                                   |                  |
| Water Rights                                      | -   | 345,000                           | 345,000          |
| Buildings   | 3,282                                     | -                                 | 3,282            |
| Improvements Other Than Buildings                 | 2,487,442                                 | 2,003,984                         | 4,491,426        |
| Machinery and Equipment                           | 54,706                                    | -                                 | 54,706           |
| Total Noncurrent Assets                           | 2,545,430                                 | 2,348,984                         | 4,894,414        |
| <b>TOTAL ASSETS</b>                               | <b>3,188,958</b>                          | <b>2,457,071</b>                  | <b>5,646,029</b> |
| <b>LIABILITIES:</b>                               |   |                                   |                  |
| <b>Current Liabilities:</b>                       |   |                                   |                  |
| Accounts Payable                                  | 16,014                                    | 4,943                             | 20,957           |
| Note Payable - Due Within One Year                | -   | 5,826                             | 5,826            |
| Bonds Payable - Due Within One Year               | 25,000                                    | 1,000                             | 26,000           |
| Total Current Liabilities                         | 41,014                                    | 11,769                            | 52,783           |
| <b>Noncurrent Liabilities:</b>                    |   |                                   |                  |
| Note Payable - More Than One Year                 | -   | 11,652                            | 11,652           |
| Bonds Payable - More Than One Year                | 233,000                                   | 945,000                           | 1,178,000        |
| Total Noncurrent Liabilities                      | 233,000                                   | 956,652                           | 1,189,652        |
| <b>TOTAL LIABILITIES</b>                          | <b>274,014</b>                            | <b>968,421</b>                    | <b>1,242,435</b> |
| <b>NET ASSETS:</b>                                |   |                                   |                  |
| Invested in Capital Assets, Net of Related Debt   | 2,262,070                                 | 1,385,506                         | 3,647,576        |
| Restricted for Bond Reserves                      | 48,960                                    | -                                 | 48,960           |
| Unrestricted                                      | 603,914                                   | 103,144                           | 707,058          |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>           | <b>2,914,944</b>                          | <b>1,488,650</b>                  | <b>4,403,594</b> |
| <b>TOTAL NET ASSETS</b>                           | <b>3,188,958</b>                          | <b>2,457,071</b>                  | <b>5,646,029</b> |

The notes to the financial statements are an integral part of this statement.



**GUNNISON CITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND TYPES**

June 30, 2006

|   | Business-Type Activity<br>Enterprise Fund |                                   |                  |
|---|---|-----------------------------------|------------------|
|   | Water, Sewer<br>and Garbage<br>Fund       | Pressurized<br>Irrigation<br>Fund | Total            |
| <b>Operating Revenues:</b>                    |   |                                   |                  |
| Charges for Sales and Services:               |   |                                   |                  |
| Water   | 216,332                                   | 12,845                            | 229,177          |
| Sewer   | 183,339                                   | -                                 | 183,339          |
| Sanitation                                    | 78,605                                    | -                                 | 78,605           |
| Connection Fees                               | 7,970                                     | 3,900                             | 11,870           |
| Other   | 22,082                                    | -                                 | 22,082           |
| <b>Total Operating Revenues</b>               | <b>508,328</b>                            | <b>16,745</b>                     | <b>525,073</b>   |
| <b>Operating Expenses:</b>                    |   |                                   |                  |
| Salaries                                      | 147,225                                   | 6,173                             | 153,398          |
| Fringe Benefits                               | 32,659                                    | 2,555                             | 35,214           |
| Materials and Supplies                        | 70,271                                    | 14,738                            | 85,009           |
| Sanitation Fees                               | 21,053                                    | -                                 | 21,053           |
| Utilities                                     | 37,731                                    | 56                                | 37,787           |
| Insurance                                     | 4,784                                     | 600                               | 5,384            |
| Professional and Technical                    | 45,200                                    | -                                 | 45,200           |
| Depreciation                                  | 87,143                                    | 41,443                            | 128,586          |
| <b>Total Operating Expenses</b>               | <b>446,066</b>                            | <b>65,565</b>                     | <b>511,631</b>   |
| <b>Operating Income</b>                       | <b>62,262</b>                             | <b>(48,820)</b>                   | <b>13,442</b>    |
| <b>Nonoperating Revenues (Expenses):</b>      |   |                                   |                  |
| Interest Expense                              | -   | (4,630)                           | (4,630)          |
| Interest Earned                               | 2,246                                     | 8,648                             | 10,894           |
| Impact Fees                                   | 17,496                                    | 1,180                             | 18,676           |
| Sale of Assets                                | -   | 1,200                             | 1,200            |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>19,742</b>                             | <b>6,398</b>                      | <b>26,140</b>    |
| <b>Change in Net Assets</b>                   | <b>82,004</b>                             | <b>(42,422)</b>                   | <b>39,582</b>    |
| <b>Total Net Assets - Beginning</b>           | <b>2,832,940</b>                          | <b>1,531,072</b>                  | <b>4,364,012</b> |
| <b>Total Net Assets - Ending</b>              | <b>2,914,944</b>                          | <b>1,488,650</b>                  | <b>4,403,594</b> |

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

June 30, 2006

|  | Business-Type Activity<br>Enterprise Fund |                                   |           |
|--|---|-----------------------------------|-----------|
|  | Water, Sewer<br>and Garbage<br>Fund       | Pressurized<br>Irrigation<br>Fund | Total     |
| <b>Cash Flows From Operating Activities:</b>   |   |                                   |           |
| Receipts From Customers  | 511,013                                   | 39,715                            | 550,728   |
| Payments to Suppliers  | (211,931)                                 | (15,966)                          | (227,897) |
| Payments to Employees  | (147,225)                                 | (6,173)                           | (153,398) |
| Net Cash Provided by Operating Activities  | 151,857                                   | 17,576                            | 169,433   |
| <b>Cash Flows From Capital and<br/>Related Financing Activities:</b>                               |   |                                   |           |
| Impact Fees  | 17,496                                    | 1,180                             | 18,676    |
| Bond Proceeds  | -   | 946,000                           | 946,000   |
| Interest Payment On Long-Term Debt   | -   | (4,630)                           | (4,630)   |
| Principal Payment On Long-Term Debt  | (25,000)                                  | (468,826)                         | (493,826) |
| Sale of Assets   | -   | 1,200                             | 1,200     |
| Capital Outlay   | (138,109)                                 | (414,129)                         | (552,238) |
| Net Cash Provided (Used) by Capital<br>and Related Financing Activities                            | (145,613)                                 | 60,795                            | (84,818)  |
| <b>Cash Flows from Investing Activities:</b>   |   |                                   |           |
| Interest Earned on Investments   | 2,246                                     | 8,648                             | 10,894    |
| Net Cash Provided (Used) by Investing Activities   | 2,246                                     | 8,648                             | 10,894    |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 8,490                                     | 87,019                            | 95,509    |
| Cash and Cash Equivalents - Beginning  | 588,255                                   | 4,199                             | 592,454   |
| Cash and Cash Equivalents - Ending   | 596,745                                   | 91,218                            | 687,963   |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided (Used) By Operating Activities:</b> |   |                                   |           |
| Operating Income   | 62,262                                    | (48,820)                          | 13,442    |
| Adjustments to Reconcile Operating Income to Net<br>Cash Provided (Used) By Operating Activities:  |   |                                   |           |
| Depreciation   | 87,143                                    | 41,443                            | 128,586   |
| Increase (Decrease) In Operating Assets:   |   |                                   |           |
| Accounts Receivable  | 2,685                                     | 22,970                            | 25,655    |
| Accrued Liabilities  | (233)                                     | 1,983                             | 1,750     |
| Total Adjustments  | 89,595                                    | 66,396                            | 155,991   |
| Net Cash Provided (Used)<br>by Operating Activities  | 151,857                                   | 17,576                            | 169,433   |

The notes to the financial statements are an integral part of this statement.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Gunnison City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Gunnison City is a municipal corporation in Sanpete County, Utah. It is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Gunnison City, the reporting entity. The City has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Gunnison City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Special Revenue Fund:** The Special Revenue Fund accounts for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The Government also reports the following Other Governmental Funds:

**Capital Projects Fund** - These funds account for revenue sources that are restricted to expenditures for specific purposes.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Government reports the following Proprietary Funds:

The Irrigation Fund and the Water, Sewer and Garbage Fund accounts for the activities of the City utility funds operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Irrigation Fund and the Water, Sewer and Garbage Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

|              |               |
|--------------|---------------|
| Water System | 40 - 50 Years |
| Buildings    | 30 Years      |
| Vehicles     | 5 Years       |
| Equipment    | 5 - 10 Years  |

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting:**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**F. Property Taxes:**

Property taxes are assessed and collected for the City by Sanpete County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**G. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Cash and investments as of June 30, 2006 consist of the following:

|                            | <u>Fair Value</u>       |
|----------------------------|-------------------------|
| Demand Deposits - Checking | 749,483                 |
| Investment - PTIF          | <u>496,585</u>          |
| Total Cash and Investments | <u><u>1,246,068</u></u> |

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

|  |                         |
|--|-------------------------|
| Governmental Activities - Unrestricted | 509,145                 |
| Governmental Activities - Restricted   | 48,960                  |
| Business-Type Activities               | <u>687,963</u>          |
| Total Cash and Cash Equivalents        | <u><u>1,246,068</u></u> |

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.



**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

**Custodial Credit Risk:**

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$649,482 of the local government's bank balances of \$749,482 were uninsured and uncollateralized.

**Credit Risk:**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

For the year ended June 30, 2006, the local governments has investments of \$496,585 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Concentration of Credit Risk:**

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**NOTE 3 - BOND RESERVES**

**Bond Fund:**

Each month the City is required to deposit into the Bond Fund one-twelfth of the amount of the principal and interest, if any, due on the bond on the next succeeding payment date.

**Reserve Fund:**

Beginning the next month following the month in which the first bond is issued, the City is required to deposit into the Reserve Fund \$680 each month for 72 months until it reached a maximum of \$48,960, which is the maximum annual installment of principal and interest on the bond. The balance at June 30, 2006 was \$48,960.

**NOTE 4 - SPECIAL ASSESSMENT RECEIVABLE**

In October 1986 a special improvement district was established for the construction of a pressurized irrigation system. Funding was provided from a note through the Department of Water Resources in the amount of \$705,000, CIB grant in the amount of \$16,000, and an interest free loan from the Community Impact Board in the amount of \$134,000.

Special assessments of \$899,844 were assessed to those within the district to be repaid monthly to Gunnison City over 20 years at 5% interest. Special assessment payments to Gunnison City began in November 1986. The balance of special assessments receivable at June 30, 2006, was \$12,707.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Deletions</u>  | <u>Ending<br/>Balance</u> |
|--|------------------------------|----------------------|-------------------|---------------------------|
| <b>Governmental Activities:</b>                  |                              |                      |                   |                           |
| Capital Assets Not Being Depreciated:            |                              |                      |                   |                           |
| Land   | 83,500                       | -                    | 20,000            | 63,500                    |
| Land Related to Infrastructure                   | <u>17,939</u>                | <u>-</u>             | <u>-</u>          | <u>17,939</u>             |
| <br>Total Capital Assets Not Being Depreciated   | <br><u>101,439</u>           | <br><u>-</u>         | <br><u>20,000</u> | <br><u>81,439</u>         |
| <br>Capital Assets Being Depreciated:            |                              |                      |                   |                           |
| Buildings  | 2,935,500                    | -                    | -                 | 2,935,500                 |
| Improvements                                     | 59,523                       | -                    | -                 | 59,523                    |
| Equipment  | 43,795                       | -                    | -                 | 43,795                    |
| Vehicles   | 449,800                      | -                    | -                 | 449,800                   |
| Infrastructure                                   | <u>2,594,348</u>             | <u>-</u>             | <u>-</u>          | <u>2,594,348</u>          |
| <br>Total Capital Assets Being Depreciated       | <br><u>6,082,966</u>         | <br><u>-</u>         | <br><u>-</u>      | <br><u>6,082,966</u>      |
| <br>Less Accumulated Depreciation For:           |                              |                      |                   |                           |
| Buildings  | 703,189                      | 58,710               | -                 | 761,899                   |
| Improvements                                     | 2,778                        | 1,190                | -                 | 3,968                     |
| Equipment  | 19,505                       | 2,759                | -                 | 22,264                    |
| Vehicles   | 208,341                      | 28,046               | -                 | 236,387                   |
| Infrastructure                                   | <u>1,881,534</u>             | <u>87,651</u>        | <u>-</u>          | <u>1,969,185</u>          |
| <br>Total Accumulated Depreciation               | <br><u>2,815,347</u>         | <br><u>178,356</u>   | <br><u>-</u>      | <br><u>2,993,703</u>      |
| <br>Total Capital Assets Being Depreciated (Net) | <br><u>3,267,619</u>         | <br><u>(178,356)</u> | <br><u>-</u>      | <br><u>3,089,263</u>      |
| <br>Governmental Activities Capital Assets, Net  | <br><u>3,369,058</u>         | <br><u>(178,356)</u> | <br><u>20,000</u> | <br><u>3,170,702</u>      |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

|   | Beginning<br>Balance    | Additions               | Deletions             | Ending<br>Balance       |
|---|-------------------------|-------------------------|-----------------------|-------------------------|
| <b>Business Type Activities:</b>                    |                         |                         |                       |                         |
| Capital Assets Not Being<br>Depreciated:            |                         |                         |                       |                         |
| Water Rights  | 345,000                 | -                       | -                     | 345,000                 |
| Const. In Progress - Sewer                          | 956,051                 | -                       | 956,051               | -                       |
| <br>Total Capital Assets Not<br>Being Depreciated   | <u>1,301,051</u>        | <u>-</u>                | <u>956,051</u>        | <u>345,000</u>          |
| <br>Capital Assets Being<br>Depreciated:            |                         |                         |                       |                         |
| Buildings   | 13,513                  | -                       | -                     | 13,513                  |
| Utility Systems                                     | 4,199,056               | 1,473,789               | -                     | 5,672,845               |
| Equipment   | 179,111                 | 34,500                  | -                     | 213,611                 |
| <br>Total Capital Assets<br>Being Depreciated       | <u>4,391,680</u>        | <u>1,508,289</u>        | <u>-</u>              | <u>5,899,969</u>        |
| <br>Less Accumulated<br>Depreciation For:           |                         |                         |                       |                         |
| Buildings   | 9,722                   | 509                     | -                     | 10,231                  |
| Utility Systems                                     | 1,063,860               | 117,559                 | -                     | 1,181,419               |
| Equipment   | 148,387                 | 10,518                  | -                     | 158,905                 |
| <br>Total Accumulated<br>Depreciation               | <u>1,221,969</u>        | <u>128,586</u>          | <u>-</u>              | <u>1,350,555</u>        |
| <br>Total Capital Assets Being<br>Depreciated (Net) | <u>3,169,711</u>        | <u>1,379,703</u>        | <u>-</u>              | <u>4,549,414</u>        |
| <br>Business Type Activities<br>Capital Assets, Net | <u>4,470,762</u>        | <u>1,379,703</u>        | <u>956,051</u>        | <u>4,894,414</u>        |
| <br>Total Assets - Government<br>Wide               | <u><u>7,839,820</u></u> | <u><u>1,201,347</u></u> | <u><u>976,051</u></u> | <u><u>8,065,116</u></u> |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Primary Government as follows:

|                                  | <u>Governmental<br/>Activities</u> | <u>Business Type<br/>Activities</u> | <u>Total</u>       |
|----------------------------------|------------------------------------|-------------------------------------|--------------------|
| General Government               | 11,628                             | -                                   | 11,628             |
| Public Safety                    | 27,108                             | -                                   | 27,108             |
| Public Health                    | -                                  | 128,586                             | 128,586            |
| Highways and Public Improvements | 89,911                             | -                                   | 89,911             |
| Parks and Recreation             | 49,709                             | -                                   | 49,709             |
| <br>Total Depreciation Expense   | <br><u>178,356</u>                 | <br><u>128,586</u>                  | <br><u>306,942</u> |

**NOTE 6 - LONG-TERM DEBT**

**Governmental Long-Term Debt:**

**General Obligation Recreation Bond, Series 1998:**

On March 23, 1998, the City adopted a bond resolution authorizing the issuance of \$900,000 General Obligation Recreation Bond, Series 1998 bearing interest at 2% per annum, 23 year term, to pay the cost of construction of a municipal swimming pool complex for the City. The bond was purchased by the Permanent Community Impact Board on May 15, 1998. The balance of the bond at year end was \$669,000.

The following is a schedule of debt service charges to maturity:

|             | <u>Principal</u>   | <u>Interest</u>    | <u>Total</u>       |
|-------------|--------------------|--------------------|--------------------|
| 2006 - 2007 | 36,000             | 13,380             | 49,380             |
| 2007 - 2008 | 37,000             | 12,680             | 49,680             |
| 2008 - 2009 | 37,000             | 11,920             | 48,920             |
| 2009 - 2010 | 38,000             | 11,180             | 49,180             |
| 2010 - 2011 | 39,000             | 10,420             | 49,420             |
| 2012 - 2016 | 206,000            | 40,120             | 246,120            |
| 2017 - 2021 | 228,000            | 18,820             | 246,820            |
| 2022 - 2026 | 48,000             | 960                | 48,960             |
| <br>Total   | <br><u>669,000</u> | <br><u>119,480</u> | <br><u>788,480</u> |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Recreation Revenue Bond, Series 1998:**

On March 23, 1998, the City adopted a bond resolution authorizing the issuance of \$720,000 Recreation Revenue Bonds, Series 1998 bearing interest at 2% per annum, 30 year term, to pay the cost of construction of a municipal swimming pool complex for the City. The bond was purchased by the Permanent Community Impact Board on May 15, 1998. The balance at year end was \$665,000.

The following is a schedule of debt service charges to maturity:

|              | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
|--------------|------------------|-----------------|----------------|
| 2006 - 2007  | 10,000           | 13,100          | 23,100         |
| 2007 - 2008  | 10,000           | 12,900          | 22,900         |
| 2008 - 2009  | 10,000           | 12,700          | 22,700         |
| 2009 - 2010  | 11,000           | 12,500          | 23,500         |
| 2010 - 2011  | 11,000           | 12,280          | 23,280         |
| 2012 - 2016  | 58,000           | 58,040          | 116,040        |
| 2017 - 2021  | 63,000           | 52,040          | 115,040        |
| 2022 - 2026  | 273,000          | 39,430          | 312,430        |
| 2027 - 2031  | 209,000          | 8,420           | 217,420        |
| <b>Total</b> | <u>655,000</u>   | <u>221,410</u>  | <u>876,410</u> |

**Note Payable - State of Utah:**

During 2001 the City borrowed \$60,000 from the State of Utah, Department of Community and Economic Development, Office of Energy Services, for the purpose of acquiring solar panels and a pool cover for the swimming pool. The Contract calls for semi-annual payments of \$3,750 with no interest. The balance at June 30, 2006 was \$26,250.

The following is an amortization schedule of debt service charges to maturity:

|              | <u>Principal</u> | <u>Interest</u> | <u>Total</u>  |
|--------------|------------------|-----------------|---------------|
| 2006 - 2007  | 7,500            | -               | 7,500         |
| 2007 - 2008  | 7,500            | -               | 7,500         |
| 2008 - 2009  | 7,500            | -               | 7,500         |
| 2009 - 2010  | 3,750            | -               | 3,750         |
| <b>Total</b> | <u>26,250</u>    | <u>-</u>        | <u>26,250</u> |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is a schedule of changes in Governmental Long-Term Debt payable:

|                                      | Date of<br>Issue | Interest<br>Rate | Total<br>Authorized | Outstanding<br>June 30,<br>2005 | Current Year Changes |         | Outstanding<br>June 30,<br>2006 |
|--------------------------------------|------------------|------------------|---------------------|---------------------------------|----------------------|---------|---------------------------------|
|                                      |                  |                  |                     |                                 | Issued               | Matured |                                 |
| <b>Bonds:</b>                        |                  |                  |                     |                                 |                      |         |                                 |
| GO Recreation Bonds-Series 1998      | 1998             | 2%               | 900,000             | 704,000                         | -                    | 35,000  | 669,000                         |
| Recreation Revenue Bonds-Series 1998 | 1998             | 2%               | 720,000             | 665,000                         | -                    | 10,000  | 655,000                         |
| Total Bonds Payable                  |                  |                  | 1,620,000           | 1,369,000                       | -                    | 45,000  | 1,324,000                       |
| <b>Note Payable:</b>                 |                  |                  |                     |                                 |                      |         |                                 |
| State of Utah                        | 2001             | 0%               | 60,000              | 33,750                          | -                    | 7,500   | 26,250                          |
| Total Governmental Long-Term Debt    |                  |                  | 1,680,000           | 1,402,750                       | -                    | 52,500  | 1,350,250                       |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is an amortization of Governmental Long-Term Debt to maturity:

|             | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|-------------|------------------|-----------------|------------------|
| 2006 - 2007 | 53,500           | 26,480          | 79,980           |
| 2007 - 2008 | 54,500           | 25,580          | 80,080           |
| 2008 - 2009 | 54,500           | 24,620          | 79,120           |
| 2009 - 2010 | 52,750           | 23,680          | 76,430           |
| 2010 - 2011 | 50,000           | 22,700          | 72,700           |
| 2012 - 2016 | 264,000          | 98,160          | 362,160          |
| 2017 - 2021 | 291,000          | 70,860          | 361,860          |
| 2022 - 2026 | 321,000          | 40,390          | 361,390          |
| 2027 - 2031 | 209,000          | 8,420           | 217,420          |
|             | <u>1,350,250</u> | <u>340,890</u>  | <u>1,691,140</u> |

**Utility Long-Term Debt:**

**Bonds:**

**Water Revenue Bonds - Series 1991A:**

The City issued water revenue bonds in the amount of \$300,000 at 0% interest. The bond is payable in 25 annual installments of \$12,000. The balance at June 30, 2006, was \$132,000.

The following is an amortization schedule of debt service charges to maturity:

|                     | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
|---------------------|------------------|-----------------|----------------|
| January 2007        | 12,000           | -               | 12,000         |
| January 2008        | 12,000           | -               | 12,000         |
| January 2009        | 12,000           | -               | 12,000         |
| January 2010        | 12,000           | -               | 12,000         |
| January 2011        | 12,000           | -               | 12,000         |
| January 2012 - 2016 | 60,000           | -               | 60,000         |
| January 2017 - 2021 | 12,000           | -               | 12,000         |
| Total               | <u>132,000</u>   | <u>-</u>        | <u>132,000</u> |



**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Water Revenue Bonds - Series 1991B:**

The City issued water revenue bonds in the amount of \$300,000 at 0% interest. The bond is payable in 20 annual installments. The balance at June 30, 2006, was \$126,000.

The following is an amortization schedule of debt service charges to maturity:

|              | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
|--------------|------------------|-----------------|----------------|
| January 2007 | 13,000           | -               | 13,000         |
| January 2008 | 13,000           | -               | 13,000         |
| January 2009 | 25,000           | -               | 25,000         |
| January 2010 | 25,000           | -               | 25,000         |
| January 2011 | 25,000           | -               | 25,000         |
| January 2012 | <u>25,000</u>    | <u>-</u>        | <u>25,000</u>  |
| Total        | <u>126,000</u>   | <u>-</u>        | <u>126,000</u> |

The bond resolution approved in conjunction with the issuance of the Gunnison City Water and Sewer revenue bonds provides, among other things, that certain funds be established and that certain accounting procedures be followed. Under the terms of the resolution the City irrevocably pledged net revenues of the utilities to the payment of the bonds and covenanted that rates will be established to yield net revenues, as defined, equal to at least the debt service to become due in the next fiscal year.

**Water Revenue Bonds - Series 2003:**

During 2003 the City issued water revenue bonds in the amount of \$477,000 for the purpose of financing all or portion of the costs of constructing secondary irrigation water system improvements and related improvements. The bonds include interest at 1% and require yearly payments. The bonds were retired during the current year.

**Water Revenue Bonds - Series 2006:**

On April 28, 2006, the City issued Water Revenue Bonds in the amount of \$946,000 to the Utah Division of Water Resources for the purpose of financing all or a portion of the cost of constructing a secondary irrigation water system improvements and related improvements. The bonds require yearly payments on January 1st including interest at the rate of 1%. A portion of the proceeds were used to retire the water revenue bonds issued in 2003 in the amount of \$463,000. The remainder of the proceeds will be used for improvements to the secondary water system.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is an debt service charges to maturity:

|             | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|-------------|------------------|-----------------|------------------|
| 2006 - 2007 | 1,000            | 9,460           | 10,460           |
| 2007 - 2008 | 17,000           | 9,450           | 26,450           |
| 2008 - 2009 | 18,000           | 9,280           | 27,280           |
| 2009 - 2010 | 24,000           | 9,100           | 33,100           |
| 2010 - 2011 | 25,000           | 8,860           | 33,860           |
| 2012 - 2016 | 146,000          | 40,280          | 186,280          |
| 2017 - 2021 | 215,000          | 31,650          | 246,650          |
| 2022 - 2026 | 242,000          | 20,230          | 262,230          |
| 2027 - 2031 | 258,000          | 7,830           | 265,830          |
|             | <u>946,000</u>   | <u>146,140</u>  | <u>1,092,140</u> |

The following is a summary of bond transactions of the City for the year ended June 30, 2006:

|                                | <u>Bonds Payable<br/>June 30, 2005</u> | <u>Bonds<br/>Issued</u> | <u>Bonds<br/>Retired</u> | <u>Bonds Payable<br/>June 30, 2006</u> |
|--------------------------------|--|-------------------------|--------------------------|--|
| Water Revenue Series A         | 144,000                                | -                       | 12,000                   | 132,000                                |
| Water Revenue Series B         | 139,000                                | -                       | 13,000                   | 126,000                                |
| Irrigation Revenue Series 2003 | 463,000                                | -                       | 463,000                  | -                                      |
| Irrigation Revenue Series 2006 | -                                      | 946,000                 | -                        | 946,000                                |
| Totals                         | <u>746,000</u>                         | <u>946,000</u>          | <u>488,000</u>           | <u>1,204,000</u>                       |

**Note Payable - Permanent Community Impact Fund Board:**

On September 5, 1985, the Permanent Community Impact Board loaned Gunnison City \$134,000 with no interest, to be repaid in annual payments of \$5,826 starting July 1, 1987 and ending with a final payment on July 1, 2009. The balance of the loan at June 30, 2006 was \$17,478.

A five year summary of debt service charges to maturity is as follows:

|              | <u>Principal</u> | <u>Interest</u> | <u>Total</u>  |
|--------------|------------------|-----------------|---------------|
| July 1, 2006 | 5,826            | -               | 5,826         |
| July 1, 2007 | 5,826            | -               | 5,826         |
| July 1, 2008 | 5,826            | -               | 5,826         |
| Total        | <u>17,478</u>    | <u>-</u>        | <u>17,478</u> |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is a schedule of changes in Utility Bonds and Notes payable:

|                                   | Date of<br>Issue | Interest<br>Rate | Total<br>Authorized | Outstanding<br>June 30,<br>2005 | Current Year Changes |         | Outstanding<br>June 30,<br>2006 |
|-----------------------------------|------------------|------------------|---------------------|---------------------------------|----------------------|---------|---------------------------------|
|                                   |                  |                  |                     |                                 | Issued               | Matured |                                 |
| Bonds:                            |                  |                  |                     |                                 |                      |         |                                 |
| Water Revenue Bonds - Series A    | 1991             | 0%               | 300,000             | 144,000                         | -                    | 12,000  | 132,000                         |
| Water Revenue Bonds - Series B    | 1991             | 0%               | 300,000             | 139,000                         | -                    | 13,000  | 126,000                         |
| Water Revenue Bonds - Series 2003 | 2003             | 1%               | 477,000             | 463,000                         | -                    | 463,000 | -                               |
| Water Revenue Bonds - Series 2006 | 2006             | 1%               | 946,000             | -                               | 946,000              | -       | 946,000                         |
| Total Bonds Payable               |                  |                  |                     | 746,000                         | 946,000              | 488,000 | 1,204,000                       |
| Notes:                            |                  |                  |                     |                                 |                      |         |                                 |
| Community Impact Board            | 1985             | 0%               | 134,000             | 23,304                          | -                    | 5,826   | 17,478                          |
| Total Notes Payable               |                  |                  | 134,000             | 23,304                          | -                    | 5,826   | 17,478                          |
| Total Long Term Debt              |                  |                  | 2,157,000           | 769,304                         | 946,000              | 493,826 | 1,221,478                       |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is an amortization of Utility Long-Term Debt to maturity:

|             | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|-------------|------------------|-----------------|------------------|
| 2006 - 2007 | 31,826           | 9,460           | 41,286           |
| 2007 - 2008 | 47,826           | 9,450           | 57,276           |
| 2008 - 2009 | 60,826           | 9,280           | 70,106           |
| 2009 - 2010 | 61,000           | 9,100           | 70,100           |
| 2010 - 2011 | 62,000           | 8,860           | 70,860           |
| 2012 - 2016 | 231,000          | 40,280          | 271,280          |
| 2017 - 2021 | 227,000          | 31,650          | 258,650          |
| 2022 - 2026 | 242,000          | 20,230          | 262,230          |
| 2027 - 2031 | 258,000          | 7,830           | 265,830          |
| Total       | <u>1,221,478</u> | <u>146,140</u>  | <u>1,367,618</u> |

**Compensated Absences:**

Compensated absences represents accrued vacation and sick leave at June 30, 2006, of \$19,447.

The following is a statement of changed in compensated absences.

|                      | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|----------------------|------------------------------|------------------|------------------|---------------------------|
| Compensated Absences | <u>14,166</u>                | <u>5,281</u>     | <u>-</u>         | <u>19,447</u>             |

**NOTE 7 - IMPACT FEES**

**Culinary and Wastewater Facilities:**

On March 5, 2003, Gunnison City passed ordinance 2003-4 establishing development impact fees for culinary and wastewater facilities. The service area is all incorporated areas of the City, including future annexed areas.

|   |       |
|---|-------|
| The residential impact fee for waste water facilities.    | 1,985 |
| The residential impact fee for culinary water facilities. | 1,737 |

Other impact fees detailed in the ordinance are available at the City offices. Impact fees collected during the year including interest was \$20,065.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 7 - IMPACT FEES (CONTINUED)**

**Pressurized Irrigation Facilities:**

On May 5, 2004, the City passed and adopted ordinance 2004-4 establishing Development Impact Fees for Pressurized Irrigation Facilities in the City.

The service area for the impact fees are incorporated area of the City, including future annexed area within the service area of the pressurized irrigation facilities.

Impact fees will be assessed only on new connections within the service area.

Impact fees will be \$1,000 per acre of application is made and paid before July 1, 2004. As of July 1, 2004, the impact fee will increase to \$1,500 per acre. Lots smaller than one acre will pay a proportional amount of the impact fee based on percentage of an acre.

|   |       |                 |
|---|-------|-----------------|
| Impact fee per acre prior to July 1, 2004.  | 1,000 |                 |
| Impact fee per acre July 1, 2004 and after. | 1,500 |                 |
| Total impact fees collected to date.        |       | 24,590          |
| Interest earned to date.                    |       | <u>710</u>      |
| Total impact fees - pressurized irrigation. |       | 25,300          |
| Total expenditures to date.                 |       | <u>25,300</u>   |
| Balance                                     |       | <u><u>-</u></u> |

**NOTE 8 - CLASS C ROAD FUND**

The following is a statement of revenues and expenditures in Class "C" Roads:

|                                   |              |                       |
|-----------------------------------|--------------|-----------------------|
| Fund Balance - Beginning of Year  |              | 200,000               |
| Revenue:                          |              |                       |
| State Allotment                   | 107,836      |                       |
| Interest Earned                   | <u>9,929</u> |                       |
| Total Revenue                     |              | 117,765               |
| Expenditures:                     |              |                       |
| Road Construction and Maintenance |              | <u>(144,765)</u>      |
| Fund Balance - End of Year        |              | <u><u>173,000</u></u> |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 9 - SPECIAL REVENUE FUND**

Statement of revenues and expenditures in the Swimming Pool Special Revenue Fund:

|   |                      |
|---|----------------------|
| Revenues:   |                      |
| 6% Utility Franchise Fees   | 146,637              |
| Swimming Pool Fees  | 32,554               |
| Swimming Pool Rental and Lessons  | 13,635               |
| Equipment Rental  | 26,231               |
| Other Revenue   | 2,142                |
| Interest Revenue  | <u>2,993</u>         |
| Total Operating Revenue   | <u>224,192</u>       |
| Expenditures:   |                      |
| Salaries and Wages  | 62,837               |
| Fringe Benefits   | 20,292               |
| Office Expense  | 639                  |
| Supplies and Maintenance  | 19,147               |
| Telephone   | 4,276                |
| Power   | 491                  |
| Heating Fuel  | 12,879               |
| Insurance   | 22,758               |
| Other Supplies  | <u>6,359</u>         |
| Total Operating Expenditures  | <u>149,678</u>       |
| Excess Revenues Over (Under) Expenditures                                     | <u>74,514</u>        |
| Other Financing Sources (Uses):   |                      |
| Donations   | 7,500                |
| Note Principal Payment  | (7,500)              |
| Bond Principal Payment  | (45,000)             |
| Bond Interest Payment   | <u>(27,380)</u>      |
| Total Other Financing Sources (Uses)  | <u>(72,380)</u>      |
| Excess Revenues and Other Sources Over<br>(Under) Expenditures and Other Uses | 2,134                |
| Fund Balance - Beginning of Year  | <u>28,870</u>        |
| Fund Balance - End of Year  | <u><u>31,004</u></u> |

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 10 - PENSION PLAN**

**Local Governmental - Cost Sharing:**

**Plan Description:**

Gunnison City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System for employers with Social Security coverage both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:**

Gunnison City is required to contribute a percent of covered salary to the respective systems; 11.09% to the Noncontributory and 19.34% to the Public Safety Other Division A Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Gunnison City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004, respectively were; for the Noncontributory System, \$16,596.14, \$18,001.27 and \$15,461.93, and for the Public Safety Other Division A Noncontributory System, \$14,078.16, \$12,977.87 and \$6,388.65 respectively. The contributions were equal to the required contributions for each year.

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries and disasters. The City is insured through the Utah Local Government Trust for general liability coverage. The broad comprehensive general liability insurance provides Gunnison City with \$2,000,000 combined single limits comprehensive general liability protection covering all locations and operations; errors and omissions liability protection for public officials and city personnel; law enforcement liability; city fire department and EMT liability; personal injury liability; employee benefits liability, etal.

**GUNNISON CITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2006**

**NOTE 11 - RISK MANAGEMENT (CONTINUED)**

The policy also covers liability on automobiles and hired and non-owned automobile liability. A \$500 deductible applies. No-fault protection and uninsured motorist as well as under-insured motorist coverage's are also provided.

The City is insured for property and equipment loss through the Trust also. The coverage is for all buildings and equipment owned by the City. The coverage is for replacement cost with a \$1,000 deductible.

Claims have not exceeded coverage in any of the last three calendar years.



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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**GUNNISON CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

|                                      | <u>Budgeted Amounts</u> |                | <u>Actual Amounts<br/>(Budgetary Basis)<br/>(See Note A)</u> | <u>Variance With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--------------------------------------|-------------------------|----------------|--|---|
|                                      | <u>Original</u>         | <u>Final</u>   |  |   |
| Budgetary Fund Balance, July 1, 2005 | <u>277,788</u>          | <u>277,788</u> | <u>277,788</u>   | <u>-</u>  |
| Resources (Inflows):                 |                         |                |  |   |
| Taxes:                               |                         |                |  |   |
| General Property Taxes               | 64,000                  | 65,500         | 67,474   | 1,974   |
| Prior Years Taxes                    | 8,000                   | 6,495          | 2,433  | (4,062)   |
| Fee-In-Lieu                          | 23,000                  | 23,000         | 22,619   | (381)   |
| General Sales and Use Taxes          | 265,000                 | 265,000        | 317,466  | 52,466  |
| Road Sales Tax                       | 48,000                  | 48,000         | 55,480   | 7,480   |
| Library Taxes                        | <u>5,400</u>            | <u>5,405</u>   | <u>5,405</u>   | <u>-</u>  |
| Total Taxes                          | <u>413,400</u>          | <u>413,400</u> | <u>470,877</u>   | <u>57,477</u>   |
| Licenses and Permits:                |                         |                |  |   |
| Business Licenses                    | 10,500                  | 10,500         | 11,183   | 683   |
| Animal Licenses                      | <u>2,500</u>            | <u>2,500</u>   | <u>2,010</u>   | <u>(490)</u>  |
| Total Licenses and Permits           | <u>13,000</u>           | <u>13,000</u>  | <u>13,193</u>  | <u>193</u>  |
| Intergovernmental Revenue:           |                         |                |  |   |
| State Grants                         | 3,800                   | 23,512         | 26,727   | 3,215   |
| Fire Protection                      | 29,500                  | 29,500         | 55,030   | 25,530  |
| Class C Road                         | 90,000                  | 90,000         | 107,836  | 17,836  |
| State Liquor Allotment               | <u>1,000</u>            | <u>2,180</u>   | <u>2,180</u>   | <u>-</u>  |
| Total Intergovernmental Revenue      | <u>124,300</u>          | <u>145,192</u> | <u>191,773</u>   | <u>46,581</u>   |
| Fines and Forfeitures:               |                         |                |  |   |
| Court                                | <u>26,000</u>           | <u>26,000</u>  | <u>21,262</u>  | <u>(4,738)</u>  |
| Charges for Services:                |                         |                |  |   |
| Library                              | 2,900                   | 3,750          | 3,802  | 52  |
| Police                               | 500                     | 500            | 220  | (280)   |
| Parks and Recreation                 | 800                     | 18,881         | 19,087   | 206   |
| Cemetery                             | <u>2,400</u>            | <u>2,400</u>   | <u>2,949</u>   | <u>549</u>  |
| Total Charges for Services           | <u>6,600</u>            | <u>25,531</u>  | <u>26,058</u>  | <u>527</u>  |

**GUNNISON CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

|  | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u><br><u>(Budgetary Basis)</u><br><u>(See Note A)</u> | <u>Variance With</u><br><u>Final Budget</u><br><u>Positive</u><br><u>(Negative)</u> |
|--|-------------------------|--------------|--|---|
|  | <u>Original</u>         | <u>Final</u> |  |   |
| Resources (Inflows) Continued:         |                         |              |  |   |
| Miscellaneous Revenue:                 |                         |              |  |   |
| Senior Citizen Reimbursement           | -                       | 4,000        | 5,809  | 1,809   |
| Rents and Concessions                  | -                       | 6,800        | 7,447  | 647   |
| Interest                               | 6,000                   | 12,300       | 13,237   | 937   |
| Sale of Fixed Assets                   | 33,000                  | 33,097       | 35,421   | 2,324   |
| Other Unclassified                     | 34,500                  | 37,823       | 19,920   | (17,903)  |
| Use of Surplus                         | 27,200                  | 83,857       | -  | (83,857)  |
| Total Miscellaneous Revenue            | 100,700                 | 177,877      | 81,834   | (96,043)  |
| Amounts Available for Appropriation    | 961,788                 | 1,078,788    | 1,082,785  | 3,997   |
| Charges to Appropriations (Outflows):  |                         |              |  |   |
| General Government:                    |                         |              |  |   |
| City Council                           | 61,720                  | 61,720       | 54,788   | 6,932   |
| Precinct Courts                        | 27,800                  | 27,800       | 23,602   | 4,198   |
| Auditor                                | 5,000                   | 5,000        | 5,000  | -   |
| Treasurer                              | 8,300                   | 8,300        | 7,793  | 507   |
| Recorder                               | 43,500                  | 44,429       | 44,166   | 263   |
| Elections                              | 2,500                   | 1,502        | 994  | 508   |
| Government Buildings                   | 29,500                  | 30,700       | 29,511   | 1,189   |
| Economic Development                   | 6,800                   | 19,538       | 18,737   | 801   |
| Building Maintenance                   | -                       | 4,500        | 3,180  | 1,320   |
| Total General Government               | 185,120                 | 203,489      | 187,771  | 15,718  |
| Public Safety:                         |                         |              |  |   |
| Law Enforcement                        | 178,500                 | 195,801      | 191,199  | 4,602   |
| Liquor Law Enforcement                 | -                       | 3,980        | -  | 3,980   |
| Fire Department                        | 41,000                  | 42,832       | 37,989   | 4,843   |
| Animal Control                         | 3,350                   | 13,350       | 10,004   | 3,346   |
| Total Public Safety                    | 222,850                 | 255,963      | 239,192  | 16,771  |
| Streets and Public Improvements:       |                         |              |  |   |
| Streets and Highways                   | 75,000                  | 55,800       | 48,638   | 7,162   |
| Class C roads                          | 90,000                  | 145,000      | 144,765  | 235   |
| Total Highways and Public Improvements | 165,000                 | 200,800      | 193,403  | 7,397   |

Continued

**GUNNISON CITY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

|  | Budgeted Amounts |                | Actual Amounts<br>(Budgetary Basis)<br>(See Note A) | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|---|---|
|  | Original         | Final          |   |   |
| <b>Charges to Appropriations (Outflows) Continued:</b> |                  |                |   |   |
| <b>Culture and Recreation:</b>                         |                  |                |   |   |
| Parks  | 30,000           | 30,000         | 20,075  | 9,925   |
| Library  | 25,000           | 33,006         | 27,896  | 5,110   |
| Recreation   | 8,030            | 27,230         | 26,770  | 460   |
| Cemetery   | 28,000           | 29,978         | 22,739  | 7,239   |
| Airport  | 2,000            | 2,534          | 2,533   | 1   |
| <b>Total Culture and Recreation</b>                    | <b>93,030</b>    | <b>122,748</b> | <b>100,013</b>                                      | <b>22,735</b>   |
| <b>Nondepartmental:</b>                                |                  |                |   |   |
| Transfer Out   | 18,000           | 18,000         | -   | 18,000  |
| <b>Total Charges to Appropriations</b>                 | <b>684,000</b>   | <b>801,000</b> | <b>720,379</b>                                      | <b>80,621</b>   |
| <b>Budgetary Fund Balance - June 30, 2006</b>          | <b>277,788</b>   | <b>277,788</b> | <b>362,406</b>                                      | <b>84,618</b>   |

**GUNNISON CITY  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

**For The Fiscal Year Ended June 30, 2006**

|  | <u>Budgeted Amounts</u> |                      | <u>Actual Amounts</u><br><u>(Budgetary Basis)</u><br><u>(See Note A)</u> | <u>Variance With</u><br><u>Final Budget</u><br><u>Positive</u><br><u>(Negative)</u> |
|--|-------------------------|----------------------|--|---|
|  | <u>Original</u>         | <u>Final</u>         |  |   |
| Budgetary Fund Balance, July 1, 2005   | <u>28,870</u>           | <u>28,870</u>        | <u>28,870</u>  | <u>-</u>  |
| Resources (Inflows):                   |                         |                      |  |   |
| Swimming Pool Revenues                 | 38,500                  | 31,500               | 32,554   | 1,054   |
| Utility Fees                           | 150,000                 | 140,000              | 146,637  | 6,637   |
| Cell Phone Tax                         | 1,500                   | 23,800               | 26,231   | 2,431   |
| Contributions                          | 10,000                  | 10,000               | 7,500  | (2,500)   |
| Interest                               | 500                     | 2,500                | 2,993  | 493   |
| Miscellaneous                          | -                       | 12,700               | 15,777   | 3,077   |
| Transfers In                           | <u>18,000</u>           | <u>18,000</u>        | <u>-</u>   | <u>(18,000)</u>   |
| Total Resources (Inflows)              | <u>218,500</u>          | <u>238,500</u>       | <u>231,692</u>   | <u>(6,808)</u>  |
| Amounts Available for Appropriation    | <u>247,370</u>          | <u>267,370</u>       | <u>260,562</u>   | <u>(6,808)</u>  |
| Charges to Appropriations (Outflows):  |                         |                      |  |   |
| Salaries and Benefits                  | 65,000                  | 65,000               | 62,837   | 2,163   |
| Materials and Supplies                 | 37,620                  | 57,409               | 51,892   | 5,517   |
| Utilities                              | 37,000                  | 37,390               | 36,128   | 1,262   |
| Insurance                              | 6,500                   | 6,321                | 6,321  | -   |
| Debt Service                           | <u>72,380</u>           | <u>72,380</u>        | <u>72,380</u>  | <u>-</u>  |
| Total Charges to Appropriations        | <u>218,500</u>          | <u>238,500</u>       | <u>229,558</u>   | <u>8,942</u>  |
| Budgetary Fund Balance - June 30, 2006 | <u><u>28,870</u></u>    | <u><u>28,870</u></u> | <u><u>31,004</u></u>   | <u><u>2,134</u></u>   |

**GUNNISON CITY**  
**NOTE A**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET-TO-GAAP RECONCILIATION**

**For The Fiscal Year Ended June 30, 2006**

|   | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> |
|---|-------------------------|-------------------------------------|
| <b>Sources/Inflows and Resources:</b>   |                         |                                     |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.                                   | 1,082,785               | 260,562                             |
| <b>Differences - Budget to GAAP:</b>  |                         |                                     |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | <u>(277,788)</u>        | <u>(28,870)</u>                     |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.                  | <u>804,997</u>          | <u>231,692</u>                      |
| <b>Uses/Outflows of Resources:</b>  |                         |                                     |
| Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.                                | 720,379                 | 229,558                             |
| <b>Differences - Budget to GAAP:</b>  |                         |                                     |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.                   | <u>-</u>                | <u>-</u>                            |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds               | <u>720,379</u>          | <u>229,558</u>                      |

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# **COMBINING FINANCIAL STATEMENTS AND SCHEDULES**

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**GUNNISON CITY  
NONMAJOR GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

**CAPITAL PROJECTS FUND**

**Capital Projects Fund:**

Capital Projects Funds are used to account for monies received for construction or acquisition of capital assets.

**PERMANENT FUND**

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Perpetual Care Fund:**

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.



**GUNNISON CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2006

|  | Capital<br>Projects<br>Fund | Permanent<br>Fund<br>Perpetual<br>Care | Total<br>Nonmajor<br>Government<br>Funds |
|--|-----------------------------|--|--|
| <b>ASSETS</b>                                  |                             |  |  |
| Cash and Cash Equivalents                      | <u>125,031</u>              | <u>19,723</u>                          | <u>144,754</u>                           |
| <b>TOTAL ASSETS</b>                            | <u><u>125,031</u></u>       | <u><u>19,723</u></u>                   | <u><u>144,754</u></u>                    |
| <b>LIABILITIES AND FUND BALANCES</b>           |                             |  |  |
| Liabilities                                    | <u>-</u>                    | <u>-</u>                               | <u>-</u>                                 |
| Fund Balances:                                 |                             |  |  |
| Unreserved, Reported in:                       |                             |  |  |
| Capital Projects Fund                          | 125,031                     | -                                      | 125,031                                  |
| Perpetual Care Fund                            | <u>-</u>                    | <u>19,723</u>                          | <u>19,723</u>                            |
| <b>Total Fund Balances</b>                     | <u><u>125,031</u></u>       | <u><u>19,723</u></u>                   | <u><u>144,754</u></u>                    |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <u><u>125,031</u></u>       | <u><u>19,723</u></u>                   | <u><u>144,754</u></u>                    |

**GUNNISON CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2006

|                            | Capital<br>Projects<br>Fund | Permanent<br>Fund<br>Perpetual<br>Care | Total<br>Nonmajor<br>Government<br>Funds |
|----------------------------|-----------------------------|--|--|
| <b>Revenues:</b>           |                             |  |  |
| Perpetual Care             | <u>-</u>                    | <u>2,076</u>                           | <u>2,076</u>                             |
| <b>Expenditures</b>        | <u>-</u>                    | <u>-</u>                               | <u>-</u>                                 |
| Net Change in Fund Balance | -                           | 2,076                                  | 2,076                                    |
| Fund Balances - Beginning  | <u>125,031</u>              | <u>17,647</u>                          | <u>142,678</u>                           |
| Fund Balances - Ending     | <u><u>125,031</u></u>       | <u><u>19,723</u></u>                   | <u><u>144,754</u></u>                    |

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## **COMPLIANCE SECTION**

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# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council  
Gunnison City  
Gunnison, Utah 84634

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gunnison City as and for the year ended June 30, 2006, which collectively comprise Gunnison City's basic financial statements and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gunnison City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gunnison City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Gunnison City in a separate letter dated August 30, 2006.

Honorable Mayor and City Council  
Gunnison City  
Page -2-

This report is intended solely for the information and use of the management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

August 30, 2006  
Richfield, Utah

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council  
Gunnison City  
Gunnison, Utah 84634

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major and the aggregate remaining fund information of Gunnison City, for the fiscal year ended June 30, 2006, and have issued our report thereon dated August 30, 2006. As part of our audit, we have audited Gunnison City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Gunnison City's financial statements.)

Library Development Grant (Utah State Library Board)  
Police Grant (Department of Public Safety)  
Fire Grant (Department of Natural Resources)  
Art Grant (Utah Arts Council)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements


The management of Gunnison City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

Honorable Mayor and City Council  
Gunnison City  
Page -2-

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Gunnison City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

August 30, 2006  
Richfield, Utah

**GUNNISON CITY**  
**MANAGEMENT LETTER**  
**JUNE 30, 2006**



# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## **FINDINGS AND RECOMMENDATIONS**

Honorable Mayor and City Council  
Gunnison City  
Gunnison, Utah 84634

During our audit of the funds of Gunnison City for the fiscal year ended June 30, 2006, we noted an area needing corrective action in order for the City to be in compliance with state laws and regulations. This item is discussed below for your consideration.

### **COMPLIANCE:**

#### **Fund Balance**

Utah Code 10-6-116(4) states that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund (10-6-116(2)).

#### **Finding:**

We noted during our audit that the unreserved fund balance in the general fund may be in excess of the 18% of estimated revenues of the general fund by \$45,226 as shown below:

|  |                 |
|--|-----------------|
| Estimated revenues of the general fund | \$801,000 x 18% |
| Total allowed unreserved fund balance  | \$144,180       |
| Present Unreserved fund balance        | \$189,406       |
| Excess over allowed                    | \$ 45,226       |

#### **Recommendation:**

We recommend that the City maintain the unreserved fund balance within the limits allowed by State Law.

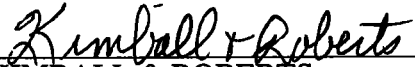
#### **City Response:**

The City has established, by ordinance, a capital projects fund. The excess fund balance will be budgeted for and transferred to the capital projects fund for planned capital projects.

Honorable Mayor and City Council  
Gunnison City  
Page -2-

We would like to take this opportunity to thank Gunnison City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

  
KIMBALL & ROBERTS  
Certified Public Accountants

August 30, 2006  
Richfield, Utah